

Department OF REVENUE  
PUBLIC WORKSHOP  
ORLANDO, FLORIDA

RULE 12D-8.0082, F.A.C.  
FLORIDA UNIFORM MARKET AREA GUIDELINES

DATE: June 26, 2003

TIME: 9:30 a.m. to 12:20 p.m.

LOCATION: Orlando Public Library  
Albertson Room, 3rd Floor  
101 E. Central Boulevard  
Orlando, FL

REPORTED BY: Carol Ann Serritelli,  
Certified Shorthand Reporter  
Notary Public, State of  
Florida at Large

A P P E A R A N C E S:

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1           THE ADMINISTRATOR: Good morning. Today is  
2 Thursday, June 26, 2003. I would like to welcome  
3 everyone to today's public workshop on the initial  
4 draft of the Florida Uniform Market Area Guidelines  
5 dated June 9, 2003.

6           My name is Al Mobley, Revenue Program  
7 Administrator, with the Department of Revenue. And  
8 sitting to my right is Mr. Steve Keller, Chief  
9 Attorney for the Department's Property Tax  
10 Administration Program. Mr. Keller and I will be  
11 the co-moderators for today's workshop. At this  
12 time, I would ask the other members of the  
13 Department of Revenue in attendance to introduce  
14 themselves, beginning with Adrian, please state your  
15 name and position.

16           MS. ROGERS: Adrian Rogers, tax law  
17 specialist.

18           MS. KEMP: Claudia Kemp, attorney with the  
19 Property Tax Administration.

20           MR. BEGGS: David Beggs, program director.

21           MR. KELLER: Today's public workshop is  
22 noticed in the June 6, 2003, Florida Administrative  
23 Weekly.

24           This is a public workshop, noticed  
25 consistent with Subsection 120.54(2), Florida

1 Statutes, held for the purpose of receiving comments  
2 from interested parties regarding potential  
3 improvements in the initial draft of the Florida  
4 Uniform Market Area Guidelines dated June 9, 2003.  
5 Another public workshop on this initial draft was  
6 held on June 24, two days ago this week, in  
7 Tallahassee, Florida. These public workshops are  
8 being held on different days and in different  
9 locations in order to maximize opportunity for input  
10 from Florida stakeholders. Copies of this draft  
11 document and the notice for today's workshop were  
12 mailed to all persons on the Department's interested  
13 parties list, including all 67 Florida property  
14 appraisers. Also a draft document and the workshop  
15 notice were posted on the Department's guidelines  
16 web page.

17 Remember all comments made here today  
18 along with any written comments that are submitted  
19 will become part of the public record.

20 THE ADMINISTRATOR: The format for this  
21 workshop is informal. Once again, we are here today  
22 to receive public comment on the initial draft.  
23 And, therefore, Department of Revenue staff will  
24 keep their discussion to a minimum to allow maximum  
25 opportunities to input from the interested party in

1 attendance today. Each time you step up to make  
2 comments, please begin by clearly stating your name  
3 and the organization or office you represent. And in  
4 that regard, if you have not already signed the  
5 sign-in sheet provided at the back of the room,  
6 please do so now.

7 Does everyone here have a copy of the  
8 initial draft of the Florida Uniform Market Area  
9 Guidelines dated June 9, 2003? If anyone does not  
10 have a copy, these are available at the back of the  
11 room.

12 Does anyone wish to submit written  
13 comments on the June 9, 2003 draft of the Florida  
14 Uniform Market Area Guidelines.

15 MR. KELLER: To briefly describe how we  
16 got to where we are today, in 1993 a provision was  
17 implemented in Section 193.114 Florida Statutes that  
18 requires property appraisers to place a market area  
19 code on each real property parcel acceptable in  
20 1996.

21 This statute also requires the market area  
22 code to be established according to Department of  
23 Revenue Guidelines. The year 2000 General's report  
24 recommended that the Department promulgate Uniform  
25 Market Area Guidelines as required by the statute.

1 The Department began the public process of  
2 developing the Market Area Guidelines in January of  
3 2001. This process of the promulgation of the  
4 Florida Uniform Market Area Guidelines have been  
5 designed to meet the provisions of Section 193.114  
6 and 120.54 of the Florida Statutes.

7           For the purpose of receiving comments and  
8 input from all interested parties the Department of  
9 Revenue has previously held four public workshops on  
10 the subject of Florida Uniform Market Area  
11 Guidelines on the following dates: January 4, 2001  
12 in Orlando; April 3, 2001 in Tallahassee; June 26,  
13 2002 in Tallahassee; and July 9, 2002 in Orlando.  
14 Transcripts from these four public workshops have  
15 been posted on the Department's Guidelines web page.  
16 The input received from these previous public  
17 workshops have been reviewed and considered in the  
18 initial draft that we have here today, the Florida  
19 Uniform Market Area Guidelines that are the subject  
20 of today's public workshop.

21           THE ADMINISTRATOR: The initial draft of  
22 the Florida Uniform Market Area Guidelines dated  
23 June 9, 2003 is based on the following:

24           No. 1: Florida law manual instructions  
25 and regulatory requirements.

1           No. 2: Public input from Florida property  
2 appraisers and their representatives.

3           No. 3: Public input from Florida  
4 taxpayers and their representatives.

5           No. 4: Information from certain  
6 publications and professional organizations.

7           And No. 5: The research and analysis  
8 provided by the Department of Revenue staff.

9           MR. KELLER: I'm going to go over the  
10 Internet web page which we made a copy of. Its  
11 available in the back of the room. Does everyone  
12 have a copy of this page from the Department of  
13 Revenue's web page? I would like to direct your  
14 attention to this page and this page can be found at  
15 the address in the upper right-hand corner of the  
16 sheet. As you can see, the following items are  
17 available on the Guidelines web page.

18           The first item is the Overview of the  
19 Florida Real Property Appraisal Guidelines -- I'm  
20 sorry -- an Overview of Draft Market Area Guidelines  
21 Development in the middle of the page here  
22 describing the Market Area Guidelines and the  
23 process. There are the transcripts from the prior  
24 market area workshops. There's the notice of public  
25 workshops for the 24th of June and today's workshop

1 June 26th in the center of the page. There's the  
2 initial draft of the Florida Uniform Market Area  
3 Guidelines dated June 9th of 2003. And there's an  
4 address to send written comments to the mail  
5 address. There's also an E-mail line where you can  
6 E-mail comments to an E-mail address by clicking on  
7 that link. No confirmation E-mails will be sent.  
8 All written and E-mail comments received will become  
9 a part of the public record. Copies of comments  
10 will be made available upon request. Please submit  
11 all your comments no later than the close of  
12 business on July 3, 2003. Comments can also be faxed  
13 to the following telephone numbers, fax numbers  
14 (850) 922-9252 or (850) 921-2983. The Department's  
15 guideline web page will be updated periodically as  
16 the Guidelines' development process moves forward.

17 Before we begin taking public comments on  
18 the initial draft, we would like to share with  
19 everyone some important background information on  
20 the need for the Florida Uniform Market Area  
21 Guidelines. This background information is in  
22 addition to a specific statutory requirement  
23 described here a few minutes ago.

24 Does everyone have a copy of the four-page  
25 handout that looks like this? These are available

1 at the back of the room for anyone who does not have  
2 a copy.

3           The first page on this handout has  
4 excerpts from two statutes that I would like to read  
5 into the record. They are both in Chapter 195,  
6 Florida Statutes, entitled "The Property Assessment  
7 Administration and Finance Law."

8           The first statute is 195.0012 Legislative  
9 intent: It is declared to be the legislative  
10 purpose and intent in this entire chapter to  
11 recognize and fulfill the state's responsibility to  
12 secure a just valuation for ad valorem tax purposes  
13 of all property and to provide for a uniform  
14 assessment as between property within each county  
15 and property in every other county or taxing  
16 district. Emphasis is on the word "uniform" there.

17           The second statute is 195.027 entitled  
18 "Rules and Regulations" which subsection (1) reads:  
19 The Department of Revenue shall prescribe reasonable  
20 rules and regulations for the assessing and  
21 collecting of taxes, and such rules and regulations  
22 shall be followed by the property appraisers, tax  
23 collectors, clerks of the circuit court, and value  
24 adjustment boards. It is hereby declared to be the  
25 legislative intent that the Department shall

1 formulate such rules and regulations that property  
2 will be assessed, taxes will be collected, and the  
3 administration will be uniform, just, and otherwise  
4 in compliance with the requirements of the general  
5 law and the constitution. And again, the emphasis is  
6 on the word "uniform" in that statute.

7 THE ADMINISTRATOR: Now, I would like to  
8 ask everyone to turn to the second page of the  
9 four-page handout. There's numbers on it. The  
10 heading on the top of that is a table of numbers.  
11 And the table is sorted by parcel counts. And this  
12 table contains actual information on stratum one  
13 parcel counts and stratum one sales counts as  
14 reported on, I believe, the 2002 final assessment  
15 rolls. The sale data are for the calendar year 2001.

16 For those of you who may not be familiar  
17 with the statutory stratum.

18 Stratum 1 is generally composed of  
19 single-dwelling residential property, condominium,  
20 single-family homes, mobile homes, et cetera.

21 The first column is entitled Stratum 1  
22 parcel counts. And these are the number of  
23 Stratum 1 parcels in each of Florida's 67 counties.  
24 And all of the data in this column is sorted in  
25 ascending order by parcel counts. So we can look at

1 this information and get some idea of the tremendous  
2 variation that we have in our counties as far as the  
3 number of Stratum 1 parcel counts which is a very  
4 good indicator of the size of the county in terms of  
5 population and other data as well.

6 As you can see in the beginning, our  
7 smallest county has a little less than 1,500 parcels  
8 all the way up to our largest county that has over  
9 6,000 parcels.

10 The second column in this table is titled  
11 "Relative Percent Change." And this is a tabulation  
12 which shows a relative percent of increase in parcel  
13 counts as you move down the list of counties. So  
14 this kind of gives us a list of a visual of how the  
15 parcel counts increase as you move down the list.  
16 We can see that there's quite a bit of variation in  
17 that as well, as you probably expect.

18 The third column is titled "Stratum 1 Sale  
19 Counts." These are actual data reported on the  
20 assessment rolls and analyzed by the Department's  
21 roll evaluation programs. And as we can see looking  
22 down the list, there's a pretty good correlation  
23 there in terms of the relationship between sale  
24 counts and parcel counts.

25 The fourth column is titled "Stratum 1

1 Market Area Counts." These are the actual number of  
2 Stratum 1 parcels reported on assessment rolls --  
3 I'm sorry -- Stratum 1 market areas reported on  
4 assessment rolls. In other words, these are the  
5 number of market areas that have Stratum 1 parcels  
6 on assessment rolls. As we can see moving down the  
7 list, there's a variation of that. And we would  
8 probably generally expect to see some reasonably  
9 strong correlation between the number of market  
10 areas and the number of parcels. This sort of shows  
11 us an understanding of the need for Uniform Market  
12 Area Guidelines. The statutory requirement that you  
13 have marked on assessment rolls, according to the  
14 Department Guidelines, I believe was invented in  
15 1994, problems that the Department has never  
16 developed the Uniform Guidelines. So that's why we  
17 have this process now.

18           The next column is titled "Low Parcel  
19 Counts For Market Area." And to the right of that is  
20 another column titled "High Parcel Counts Per Market  
21 Areas." These two sets of numbers reflect the range  
22 in parcel counts within Stratum 1 market areas  
23 within each county. It's high and low numbers. And  
24 as you can see going down the list, there's a  
25 significant variation in these numbers both compared

1 left to right and moving down the list as well.

2           The last column is titled "Mean Parcel  
3 Counts Per Market Area." And these are the average  
4 number of parcels per market area within each  
5 county. And that shows a significant variation as  
6 well.

7           If everyone now would, please, turn to the  
8 second -- I'm sorry -- the third page of the  
9 handout. It's the second page with numbers in it.

10           The title of this table is "Sorted By  
11 Parcel Counts Per Market Area." And it starts out  
12 with the same basic information from assessment  
13 rolls.

14           The first column is titled "Stratum 1  
15 Parcel Counts" which we described previously.

16           The second column is "Stratum 1 Sale  
17 Counts".

18           And the third column is "Stratum 1 Market  
19 Area Counts" as purportedly reported on assessment  
20 counts.

21           The fourth column is titled "Parcel Counts  
22 Per Market Area" which we discussed previously. The  
23 difference is in this table all the data are sorted  
24 in ascending order by parcel counts per marketing  
25 area. And these are actual data that exist now. And

1 we can see there's quite a bit of variation. As you  
2 move down the list, we have starting with about two  
3 hundred parcels for market area, and moving down the  
4 list we get over 70,000 parcels, and then up to  
5 about 86,000 parcels.

6           The last column in this page is titled  
7 "Relative Percent Change." And this is a  
8 calculation. It just gives us a visual analysis of  
9 how the parcel counts per market areas changes  
10 percentagewise as you move down the list of  
11 counties. And once again, we see quite a bit of  
12 variation there.

13           MR. LARSEN: Parcel count column is the  
14 mean parcel?

15           MR. KELLER: Yes.

16           THE ADMINISTRATOR: If you would, when you  
17 speak, identify your name for the court reporter.

18           THE REPORTER: What's your name?

19           MR. LARSEN: Lance Larson.

20           THE ADMINISTRATOR: We are now on the last  
21 page of the four-page handout. And this is a table  
22 of numbers as well. This is titled "Sorted By Sale  
23 Counts For Market Area."

24           The first three columns are the basic  
25 information as we discussed previously. Stratum 1

1 it's -- I'm sorry -- the first column is titled  
2 "Stratum 1 Parcel Counts." The second column is  
3 titled "Stratum 1 Sale Counts." The third column is  
4 titled "Stratum 1 Market Area Counts." And the  
5 fourth column is "Sale Counts Per Market Area." Once  
6 again, this is the mean average sale counts per  
7 market area.

8           And in this particular table all the data  
9 are sorted in ascending order by sale counts per  
10 market area. So you can get some visual analysis of  
11 the variation that we currently have.

12           And in the low end we have the counties  
13 with less than ten sales for market area there all  
14 the way up to the high end we have a couple counties  
15 with significantly over 5,000 sales of market area.

16           The last column on this page is titled  
17 "Relative Percent Change." And this is the  
18 calculation which shows us the percentage change in  
19 sale counts for market area as you move down the  
20 list of counties. This gives us another quick  
21 visual analysis of the visualization we see  
22 currently. And we've provided this information just  
23 as a preface to the discussion today to show that  
24 there is a need for uniform market area guidelines.  
25 And as we mentioned earlier, this process, this

1 project has been around for a while. And the  
2 Department has now recently developed the first  
3 draft. And we're holding public workshops to get  
4 feedback and move the process further.

5 Does anyone have questions on that?

6 We'll now begin taking public comments on  
7 the initial draft of the Florida Uniform Market Area  
8 Guidelines dated June 9, 2003. If there's -- people  
9 can have multiple opportunities to speak on  
10 subjects, when you speak the first time if you want  
11 to focus on a particular subject and have additional  
12 opportunity to follow-up or if you have all your  
13 comments and you just want to give them all at once,  
14 that's certainly fine, too. We're being informal  
15 here.

16 Do we have a drum roll? Mr. Keller is a  
17 famous musician, in addition to being a sheriff.  
18 With his new hat, he's a sheriff. If we need music,  
19 we can get it.

20 Mr. Rahol will start off.

21 MR. RAHOL: I will save most of my comments  
22 for later. If I start with one, everyone else will  
23 go.

24 THE REPORTER: Name?

25 MR. RAHOL: Vincent Rahol, St. Lucie County

1 Property Appraisers. In the handout it indicates  
2 it's declared to be the purpose of the entire  
3 chapter to recognize and fulfill the State's  
4 responsibility to secure a just valuation for tax  
5 purposes of all property to provide for uniform  
6 assessment between property of each county and every  
7 other county that's in the district. I think the  
8 property appraiser's main responsibility is to  
9 provide for a proper valuation, a just valuation of  
10 all property in its county.

11 THE ADMINISTRATOR: You need to speak up.

12 MR. RAHOL: Regarding the legislative  
13 intent, I'll touch on it instead of reading off this  
14 since everyone has a copy.

15 The primary purpose talks about securing a  
16 just valuation which is the responsibility of the  
17 property appraisers throughout the State of Florida.  
18 Also then, the Department of Revenue would make sure  
19 it's uniform. The property appraisers office would  
20 like to do that as well, making sure there's equity  
21 and uniformity.

22 With that in mind, as I read through the  
23 guidelines, the draft for the market areas, there  
24 seems to be a little bit of contradiction in that  
25 legislative intent and maybe the way the guidelines

1 are established. I think I understand why the  
2 guidelines are being established the way they are  
3 for purposes of ratio studies. I think that's in  
4 conflict with the legislative intent, securing a  
5 just valuation and just uniformity. If market areas  
6 are designed in manners or are dictated by the  
7 quantity of sales, I think it's going to distort  
8 what I would in my own opinion have defined in my  
9 mind as a market area.

10           What I defined as a market area does not  
11 necessarily meet the requirements that are being  
12 proposed in the guidelines that are really centered  
13 around quantity of sales more than a proper  
14 definition of what the market area might consist of.  
15 So I have a little bit of a concern and a conflict  
16 between that. If I start establishing market areas,  
17 it would be based on the number of sales, in my  
18 county this year, for example, we have approximately  
19 5,000 vacant single-family residential sales. Based  
20 upon a number of sales per stratum you have in some  
21 of these tables, I may have a market area that  
22 consists of small several blocks because we have  
23 almost all blocks, and it would be a small boundary  
24 that's not really defining a true market area. And  
25 based upon what I'm reading here saying that we have

1 to establish certain numbers, and you're saying you  
2 will tell us how many market areas we need to have,  
3 it doesn't really truly reflect the markets we are  
4 looking at. That's where I'm having a little bit of  
5 trouble. I'll sit down after this, because unless I  
6 get feedback from you as an appraiser as to your  
7 valuation and your valuing property, what do you  
8 look for and establish what you might consider a  
9 market versus making it certain statistical numbers  
10 as far as being a certain number of sales.

11           The last thing I would like to say along  
12 that is in my mind, a market area for Stratum 1  
13 would be the same as the market area for Stratum  
14 No. 4. However, based upon the sales numbers, that  
15 could change how we would have to arrive at our  
16 market area boundaries.

17           THE ADMINISTRATOR: I'll hear a few  
18 comments. Mr. Keller may have some comments  
19 regarding how this relates to the statutes.

20           We are basically, I think we all agree we  
21 are talking about mass appraisals here, and we're  
22 talking about valuation of mass appraisal results.  
23 For whatever you want to use a market area for, the  
24 mass appraisal, if you don't have enough market data  
25 to do something with, the process is meaningless. I

1 think throughout the literature, I think we had an  
2 excerpt in here that mentioned that, the need to  
3 have adequate sales data within whatever unit you  
4 are looking at, whether it's the market in your  
5 neighborhood or whatever. And I think there are  
6 other references throughout the professional  
7 literature, and I think in practical situations that  
8 I am aware of, and different counties that maybe put  
9 a little more focus on this, it's not that the  
10 number of sales perfectly drive the delineation  
11 process. It's not that you're looking for 188 sales  
12 in every market area, you draw your little lines for  
13 market area, so you get 188 sales. But on the other  
14 hand, it's certainly relevant to any application of  
15 mass appraisal in ratio states that you need to have  
16 enough sales within a market area or the exercise is  
17 meaningless. So to us there has to be some  
18 consideration there. And we don't really know any  
19 way to get around that issue.

20 MR. KELLER: We are also seeing situations  
21 where you have too many sales.

22 THE ADMINISTRATOR: Exactly.

23 The issue in terms of using market areas  
24 as an analysis tool, you get to a certain point  
25 where you have 70 sales that you might have so much

1 variation within that larger area or you certainly  
2 could use more stratification by market areas to  
3 test the mass appraisal results using ratio studies  
4 and give reasonable assurance that, yes, these  
5 results are uniform. We have utilized the available  
6 sales data in the most efficient way possible within  
7 reason to demonstrate uniformity in the assessment  
8 roll. So there are -- there's got to be judgment  
9 here in obviously how this is applied. You can't  
10 drive around a county, and there's not signs out  
11 there saying this is the end of market area one or  
12 market area two.

13           The existing literature is very general,  
14 very vague and broad. There are discussions of  
15 concepts such as a market area is a large  
16 geographical area comprised of similar properties,  
17 subject to similar economic implements. Well, that  
18 sounds nice. But when you actually start trying to  
19 use that information, and all the additional  
20 discussion flowing out of that in terms of, okay  
21 what's this telling me in terms of creating market  
22 areas, and then you have five equally  
23 experienced-qualified experts go look at a  
24 situation, you will have tremendous variations and  
25 results.

1           The existing literature has been out there  
2 for quite some time on the subject. And the  
3 Department has not produced uniform guidelines. But  
4 I think everyone has to agree there's tremendous  
5 variation in the opinions on what constitutes a  
6 market area. And we could fill this document with,  
7 you know, lots of broad reform discussions that we  
8 find in the literature. But that's really  
9 meaningless. We try to boil this down to its  
10 essential elements.

11           And in the discussion -- we may get to a  
12 specific paragraph later, I will just throw it out  
13 now -- there's discussion of some considerations for  
14 identifying market area boundaries. And it talks  
15 about obviously expressways, maybe some natural  
16 features that might be in the boundary. It talks  
17 about changes in property type, changes in property  
18 size, changes in property style, changes in  
19 construction quality, changes in the quality of  
20 property maintenance. All of these things are  
21 manifestations in a practical sense, something you  
22 can drive around and get a good look at or identify  
23 on a map, that give you some indication of where a  
24 reasonable boundary might be or where you could put  
25 a reasonable boundary. The long random preformed

1 discussions we find in the literature once again  
2 really don't help that much. So that's some of the  
3 thinking that went into this.

4           We realize it's a little bit -- there's  
5 never been any guidelines. And this is our first  
6 draft. And there's numbers, there's tables with  
7 numbers. And we realize that can be the first time  
8 that's looked at something a little different. But  
9 with the intent for the overall result from both the  
10 property appraisers' activities and the Department's  
11 activities being uniform assessments, we need  
12 uniform units by which to measure the results. And  
13 if we're looking at uniform units and get the  
14 uniform results, then we have done all we can to  
15 meet our responsibility, recognizing the uniformity  
16 is not going to be perfect. There's going to be  
17 ranges, and variation, and parcel counts for market  
18 areas, et cetera based on where the boundaries might  
19 be perceived to be. And we recognize that.

20           And we are looking at ways to get feedback  
21 from everyone to help us produce a document that's  
22 workable, but that also is going to result in  
23 uniformity. And we see what we have right now based  
24 on the existing body of knowledge. No one can  
25 promote the claim we have uniformity. That's the

1 goal we are trying to reach with this. And we need  
2 your help with this.

3 Mr. Keller, after all that.

4 MR. KELLER: I guess the only thing I  
5 really should add is on Page 2, if you look at  
6 Page 2 of this draft, there's the quote from  
7 Section 193.114. And it says: The Department shall  
8 promulgate regulations and forms for the preparation  
9 of the real property assessment roll to reflect: A  
10 brief description of the property for purposes of  
11 location and, effective January 1, 1996, a market  
12 area code established according to Department  
13 guidelines.

14 So if you take the term "established  
15 according to the Department Guidelines" and connect  
16 that up with the idea of uniformity that we talked  
17 about in the other two statutes, that's the process  
18 here that should be uniform is that the codes should  
19 be established according to the guidelines. That's  
20 the reason we termed that "uniform market area  
21 guidelines." So it's a process by which the code  
22 would be established or market areas would be  
23 established for purposes of revenue that would be  
24 uniform across all counties.

25 THE ADMINISTRATOR: I would add one thing

1 to that.

2           Recognizing that there may be -- given the  
3 fact that there's some gray area in this and there  
4 also may be some very strong opinions on how a  
5 market area ought to be in a county that might want  
6 to use it in the value production process, which is  
7 not addressed in this document by design, any  
8 geographic coding systems, market areas,  
9 neighborhoods, site groups, or whatever the county  
10 may want to use in their own internal process is a  
11 matter of discretion on the part of the county. And  
12 this document stays away from that to provide for  
13 that discretion.

14           If in those cases there are existing  
15 geographic stratification coding systems that the  
16 county feels really strongly about, this is a code  
17 provided by the statute. And there's a purpose for  
18 the code to allow, both allow the Department and  
19 property appraisers to evaluate uniformity within  
20 those markets areas using statistical and analytical  
21 techniques. There is that place in there to allow  
22 for the difference of opinion if they're really  
23 strong.

24           Anyone else?

25           MR. WILMATT: Good morning. My name is Tim

1 Wilmatt. I'm from Hillsborough County. We are one  
2 of the larger counties in the State of Florida. We  
3 have 14 market areas in our county.

4 I guess before I get into my issues with  
5 the market area guidelines themselves, I would like  
6 to compliment Al and Steve Keller. I had some  
7 conversations with Al about these guidelines. And I  
8 think myself, like a lot of other folks, had  
9 concerns about the parcel counts and the sales  
10 counts for determining the number of guidelines. Al  
11 challenged me to come up with something better. I  
12 must admit, I don't have anything better. The  
13 Supreme Court said you can't define pornography, but  
14 we know it when we see it. I guess that's like the  
15 Florida guidelines.

16 I guess my concern with the guidelines is  
17 that we in our county are not using the guidelines  
18 specifically for ratio testing. We also use them,  
19 as Al just mentioned, to value property. We divide  
20 the market areas and we create separate multiple  
21 groups in the market areas.

22 So my concern in terms of the guidelines  
23 and how many market areas we should have is just a  
24 simple practicality of managing the process of  
25 creating separate market areas as recommended by the

1 guidelines and the difficult process of calibrating  
2 each of those market areas involved in the process.  
3 I think we end up with a recommendation of 45 market  
4 areas versus the 14 we have now. Al just mentioned  
5 that it's not the intent of the guidelines to force  
6 these market areas upon us, and there's some  
7 discretion if you already have an existing process  
8 you are comfortable with that's working for you.

9 I guess for me that's my concern there's  
10 language that I guess is a little stronger in the  
11 guidelines that does provide for that allowance, and  
12 that these guidelines are not used against us in  
13 court proceedings if we end up with something  
14 different in terms of the number of market areas  
15 that these guidelines recommend. So I guess that's  
16 my concern is a dual purpose for us, it's not just  
17 for ratios, it's for actual valuation and also  
18 something that would, I guess, allow us our existing  
19 guidelines if it's working for us and not allow the  
20 guidelines to be used against us. Thank you.

21 THE ADMINISTRATOR: Thank you.

22 In that regard if everyone would turn to  
23 Page 9 of the initial draft of the Florida Uniform  
24 Market Area Guidelines, up at the top of the page  
25 there's a -- by the way, this section begins on

1 Page 7. It's titled "Intended Use of Market Areas  
2 by the Department of Revenue." We are looking at  
3 the intended uses. It has some discussion about the  
4 statutory stratum. And there's some discussion on  
5 Page 8 in Section 4.3 describing the intended use of  
6 market areas by the Department of Revenue. And it's  
7 based on the statutes. And I believe it's supported  
8 by, I guess, it's in another section.

9           And that the last section -- the last  
10 subsection 4.4 found at the overall Section 4 is  
11 titled "Use of Market Areas by Florida Property  
12 Appraisers." I'll read this into the record.

13           It says: For mass appraisal quality  
14 assurance purposes -- that's sort of another way of  
15 saying testing the mass appraisal results -- and to  
16 proactively evaluate regulatory compliance, which  
17 virtually every county does, Property Appraisers are  
18 encouraged to conduct sale ratio studies and other  
19 analyses using market areas as defined in these  
20 uniform guidelines.

21           And then it goes on to say: At their  
22 discretion, Florida Property Appraisers are  
23 authorized to develop and use other geographic units  
24 and related coding systems, including other market  
25 areas and related coding systems, in the mass

1 appraisal process.

2           Once again, we are trying we are shooting  
3 for uniformity with market areas as a way to measure  
4 uniformity of mass appraisal results. And that's  
5 provided for by statutes and supported by the  
6 literature. And we recognize that different  
7 counties may have other systems that they are using  
8 for certain purposes. But I will just make a  
9 comment that, let's say for example in a county that  
10 may have, let's say fifteen market areas, and that  
11 county has decided, that's just what we need, and we  
12 are sure of it; you can have experts come in and  
13 say, okay. How many market areas should be here?  
14 One may say 31. One may say 21. Another may say  
15 67. So we want to provide for the discretion on the  
16 part of the counties to use what they feel is  
17 necessary in the valuation process and that's their  
18 discretion. But at the same time, we have a  
19 responsibility of trying to obtain uniformity and  
20 application of uniform market area guidelines for  
21 the State of Florida. And obviously if everyone does  
22 everything the way they want to, we'll not get  
23 anywhere close to the uniformity. And we see that by  
24 looking at assessment rolls as the way they are  
25 currently presented.

1           Mr. Keller, do you have anything to add?

2           MR. KELLER: Yes. In that regard maybe we  
3 can look at Page 8 for a second, the last section.  
4 There's a quotation, I guess what we probably think  
5 is the main use of the market areas by the  
6 Department of Revenue.

7           In the middle of that Statute  
8 195.096(2)(c) it says: In addition, to the greatest  
9 extent practicable, the Department shall study  
10 assessment roll strata by value groups or market  
11 areas for each classification, subclassification, or  
12 stratum to be studied, to assure the  
13 representativeness of ratio study samples. So the  
14 study of strata by market area enhances the  
15 representativeness and that's an indicator of the  
16 representativeness of the ratio study samples of the  
17 Department of Revenue's purpose, and those would be  
18 primarily the sales ratios by these sales studies or  
19 exclusively the sales ratio studies.

20           MR. BARBER: I'm Wade Barber from Pasco  
21 County. If I can put this simple, just for  
22 clarity's sake on my behalf, what you're saying is  
23 you don't care how they cut up our county to arrive  
24 at our values, et cetera. You can call them  
25 neighborhood codes. Call them what you like. You

1 don't necessarily want to see those on the tape we  
2 submit to the Department of Revenue. We are allowed  
3 to submit the neighborhood code on the tape. That's  
4 not required. What is required is the market area.

5           And so all we need to do is when we look  
6 at these guidelines is say, we'll come up with our  
7 values however we want to. How the Department of  
8 Revenue goes in and runs their statistical analysis,  
9 in part, is up to us. So this is an opportunity for  
10 the PAs to say, when you're studying my tax roll,  
11 this is how I want you to cut it up. Now, I will  
12 say that when I look at our county, and you say our  
13 commercial strata we have two areas based on the  
14 number of sales that we have, at first, my dander  
15 got up. I said that's about as much meaningfulness  
16 as if I said all the even addresses go in one group  
17 and all the odd addresses go in another group. I  
18 said that's not what they are asking for. They are  
19 asking for is we're going to cut this so we have  
20 roughly forty sales in each group in each market  
21 area for this strata. You tell us how you want that  
22 cut. If that is what we are after here, then this  
23 is a fine document. The only thing I will caution  
24 you is if you don't put the discretionary process  
25 you describe in 4.4 is not related to what we spent

1 on the tax roll, am I correct in that statement?

2 THE ADMINISTRATOR: Correct.

3 The market area code submitted on the  
4 assessment rolls may be used for whatever additional  
5 purposes. But the intent of having it here is as a  
6 geographic code that's developed according to the  
7 uniform guidelines for the purpose of mass appraisal  
8 quality assurance using ratio studies.

9 And you're exactly correct. This is not  
10 about providing guidance on how to produce values.  
11 That's not a part of this document. There's real  
12 property guidelines for that that has its own set of  
13 legal framework supporting the production and use of  
14 that document. This is a different thing for a  
15 different stated purpose. Whatever property  
16 appraisers, in addition, want to use it for is  
17 fine. If the property appraiser wants to call their  
18 things market areas, or neighborhoods, or whatever  
19 name they want to put on it is purely a matter of  
20 discretion, yes.

21 MR. BARBER: So we are all on the same  
22 barometer, you may have standards you apply to Pasco  
23 County, those standards are going to be influenced  
24 in part on how the other counties are coming in.  
25 That's whether we want to admit to that or not, that

1 will happen over time. So with that in mind, I'll  
2 say that the one thing this document needs, and  
3 maybe it's in here and I just have not picked up on  
4 it, is that there needs to be minimum and maximal  
5 size so we can account for these things.

6 I can understand one thing. If you  
7 increase your sample size, the more normalcy is  
8 going to be put in there. It may not be normalcy  
9 across the board. It is going to be by virtue of  
10 the size. When we start looking at thousands upon  
11 thousands of sales, it's going to look real good  
12 when you look at the natural central tendency. So if  
13 we're going to do this, let's do it with minimal  
14 maximum sizes. And let everyone understand they're  
15 not saying this is an appraisal tool. It's in  
16 there. But I think it's a little bit hidden.

17 One last question. Have you done any  
18 review for those counties that do report  
19 neighborhoods on their take submissions? Is there  
20 any correlation between that and the number of  
21 market areas that they have, the number of different  
22 neighborhoods compared to the number of different  
23 market areas? That's for curiosity.

24 THE ADMINISTRATOR: I'm not aware of any  
25 analysis that's been done on that. I'm not familiar

1 with how we would separate out what's reported as a  
2 neighborhood versus people that are highly detailed  
3 number people. We're slightly busy right now with  
4 relative role valuation process.

5 MR. BARBER: Thank you.

6 THE ADMINISTRATOR: There is reference -- I  
7 will not have anybody flipping through pages right  
8 now -- but there's reference in the document, I  
9 think it's probably toward the end, that talks about  
10 the possible development of ranges as you talk about  
11 minimum and maximum parcel counts for market area  
12 that would provide discretion, but it would also  
13 provide some reasonable limits in order to achieve  
14 uniformity. We are just not to the point of really  
15 specifying that. We got to a certain point with this  
16 and said, okay, this first draft has some issues  
17 laid out there. We'll certainly be getting some  
18 feedback. So any recommendations anyone has on  
19 that, you want to submit written recommendations,  
20 there's an address on our guidelines web page. Send  
21 them in. We'll certainly welcome any ideas on that.

22 MS. SHEIBENBERGER: Good morning. I'm  
23 Sally Sheibenberger from Seminole County.

24 On Table 2A is where you really broke it  
25 down, Stratum 1 with the parcel count, how many -- I

1 guess this is your recommendation for how many  
2 market areas the different counties should have.

3 THE ADMINISTRATOR: This is one of two  
4 indications which the guidelines said should be  
5 considered. Table 2A is one distribution of market  
6 areas for Stratum 1 property. And then Table 2B is  
7 another indication.

8 MS. SHEIBENBERGER: Okay. For my county I  
9 found I'm supposed to have 27 market areas. Right  
10 now I have six. I have some work to do.

11 What I'm wondering is I know you didn't  
12 look at my county and geographically come up with  
13 these 27 locations. Can you, please, explain to us  
14 like what formulas you use to figure out parcel  
15 number of counts and sales counts to come up to the  
16 27? I think I need to know if there was some  
17 programming or some formula used.

18 THE ADMINISTRATOR: It's not very  
19 complicated. And it's explained I believe in pretty  
20 good detail in the document.

21 If we could, in that regard we are looking  
22 at Table 2A which is in the addendum of the initial  
23 draft, I would like to ask everyone to look at the  
24 third page of the four-page handout we mentioned  
25 previously. If we could look at the third page up at

1 the top, it's titled "Sorted By Parcel Counts Per  
2 Market Area." And if we look at that table Sorted By  
3 Parcel Counts Per Market Area, the fourth column  
4 there -- and by the way, this is based on the actual  
5 information that's currently reported on assessment  
6 rolls. It's out there right now. We look at the  
7 fourth column on that page, it's titled "Parcel  
8 Counts Per Market Area," and all these data are  
9 arranged in ascending order. So what we currently  
10 have on assessment rolls is a range in parcel counts  
11 for market area per Stratum 1 property from about  
12 200 parcels all the way up to about 86,000 parcels.  
13 I think anyone who has been a part of developing  
14 marketing areas of geographic units, will admit  
15 that's a pretty extreme range. It doesn't really  
16 come anywhere close to conformity.

17           If we look back at Table 2A, which is the  
18 subject of the question, if we look at the third  
19 column, that's called Estimated Parcels Per Market  
20 Area. That starts with about 1,550 parcels per  
21 market area. And down at the bottom of the list for  
22 the largest county, the largest counties, we get to  
23 about 6600, 6,600 parcels per market area. So we  
24 have a range there of about 1,500 of the 6,600 which  
25 is still a pretty good range, but it's a much more

1 narrow range that provides us with the ability to  
2 develop a uniform distribution of market areas.  
3 It's certainly not perfect. That represents a much  
4 more narrow range than the information we currently  
5 see reported on assessment rolls. And that was the  
6 basic thinking that went into the analysis.

7 MS. SHEIBENBERGER: And how was that  
8 calculated as estimated parcels?

9 THE ADMINISTRATOR: We started out by  
10 looking at the relationship between number of sales  
11 and looking at how the number of parcels would  
12 result in -- if you look at column 6 on Table 2A  
13 which is indicated sales per market area, that  
14 calculation is performed as is well explained in the  
15 narrative of the document as taking the number of  
16 actual Stratum 1 sales in each county and dividing  
17 that by the indicated distribution of the number of  
18 market areas for a particular county. And we can  
19 see the number starts out with 36. There's some  
20 variation there. You will see more of that in the  
21 smaller counties, because you have much smaller data  
22 sets to work with.

23 And, in fact, this analysis shows three of  
24 the smallest counties do not have the data to really  
25 warrant more than a single market area for Stratum 1

1 property. And it progresses down the list.

2           And with a distribution of market areas,  
3 we are limited to two days of code. We know what  
4 the high end, the biggest county, we can't have more  
5 than 99 market areas. And the spread sheet creates a  
6 distribution of market areas that makes it the best  
7 available use of available sales data while staying  
8 under 99 market areas on the high end and providing  
9 for a consistent distribution of market areas as you  
10 look down the list of counties that are sorted by  
11 parcel counts per market area.

12           MS. SHEIBENBERGER: So it's a statewide  
13 statistical analysis of all counties to come up with  
14 what each county should have, is that correct?

15           THE ADMINISTRATOR: Well, I don't know how  
16 you define statistical.

17           I think this is a very simple mathematical  
18 analysis of existing data that's based on the low  
19 end, is there -- to answer your question, is there  
20 enough parcel counts and sales data in a particular  
21 county to warrant even more than one market area?  
22 We see at the low end there is not enough data to  
23 warrant. Based on the intended use of this market  
24 area is to have more than one market area. And on  
25 then on high end we are limited by a two-digit

1 code. So we've got to have less than 99 market  
2 areas on the high end. And in between you want to  
3 have some reasonable uniformity. So we look at a  
4 county with a certain size. And it's not a perfect  
5 science. With a county of a certain size you expect  
6 to have a certain number of more market areas than a  
7 smaller county.

8 Right now what we have, if I can take  
9 everyone's attention back to the second page of the  
10 four-page handout, this is the first page of numbers  
11 of this handout. And up at the top it's titled  
12 "Sorted By Parcel Counts." And all these data, each  
13 line of data represents a Florida county. All these  
14 data are sorted in ascending order by parcel counts,  
15 smallest county to largest county. If we look down  
16 at the bottom we have our two largest counties which  
17 are right about at 600,000 parcels, have fewer  
18 market areas right now on assessment rolls than two  
19 counties with 6,000 per fewer parcels. The  
20 distribution is -- the intent is to go beyond that.  
21 What we have right now is nothing close to  
22 uniformity.

23 MS. SHEIBENBERGER: I understand all that.  
24 But that's what I'm trying to figure out, is when  
25 you look at an individual county, you expect ten

1 percent of the sales activity to be within these  
2 different market areas, or I'm trying to figure out  
3 how you actually came upon knowing we should have 27  
4 -- it sounds like you looked at all the counties  
5 within the state. There's some sort of graph or  
6 distribution or something out there that then each  
7 county's parcel count to sales count; is that  
8 available on your website?

9 THE ADMINISTRATOR: This is the analysis.  
10 The analysis is relatively simple. It's based on  
11 actual data reported to the Department on assessment  
12 rolls.

13 MS. SHEIBENBERGER: Right.

14 THE ADMINISTRATOR: The calculations in  
15 these tables, I believe -- maybe somebody can  
16 correct me or really will explain -- you have  
17 probably nine or ten pages explaining the  
18 calculations. There's not really any mystery to  
19 this. There's not additional data to look at. I'm  
20 not a very good graphics person.

21 MS. SHEIBENBERGER: I read the data, and I  
22 read all the reports that were given to us. I still  
23 don't understand how exactly you came up with how we  
24 should have 27 market areas. And that's, I'm just  
25 trying to figure out how you look at the county,

1 because I know it's not geographical. Like I said,  
2 you didn't go to our county and say this is swamp  
3 area, so forth and so on. You didn't look at sales  
4 activity to know that it's homogenous and it should  
5 all be together.

6 I need to know how you're looking at it  
7 and dividing up my county so that when I go back and  
8 I have to implement this, I know that I'm doing it  
9 the way you want to see it done. That's what I'm  
10 having problems figuring out where the 27 came from,  
11 how my county was divided that way. I see the  
12 distribution from the other counties. I don't know  
13 if it's a straight calculation across. It's  
14 obviously not -- you want ten percent of your sales  
15 in each market area. That's what I'm having  
16 problems with. I read the documents. It's not  
17 clear to me.

18 THE ADMINISTRATOR: Hitting on the amount  
19 of time we have in the workshop, maybe we can walk  
20 through some of the detail on this. But I'm putting  
21 out a draft. And hopefully what's indicated here is  
22 pretty clear. I think every column is explained.

23 I guess what you're saying is we have a  
24 number here.

25 MS. SHEIBENBERGER: Right. How did you

1 arrive at that number?

2 THE ADMINISTRATOR: I think the document is  
3 pretty clear on that. Once again, if we have time  
4 to go into that, we want to get everyone's comments.  
5 I think what Mr. Barber said earlier about dividing  
6 some minimum and maximum sizes. If you take that --  
7 that will obviously is going to be some leeway to  
8 work with implying market areas. There's discussion  
9 within the document here on consideration over  
10 boundaries. There's discussion of natural man-made  
11 and economic issues that can be looked at.

12 MS. SHEIBENBERGER: Absolutely. And we  
13 would be aware of that in our county. But I don't  
14 think you would be aware necessarily of all those  
15 individual issues when you came up with what you are  
16 thinking of as a correct number for market areas for  
17 counties. I'm thinking it's more mathematical than  
18 statistical. Because we almost feel they should be  
19 called market areas. But they are substrata.

20 THE ADMINISTRATOR: Well, the document has  
21 -- numbers exist. One of the things I learned from  
22 Mr. Keller recently is that you will get very few  
23 people to agree on what a market area is. Okay.  
24 I've debated this issue with respected colleagues  
25 and brought it around the country. And everyone can

1 read the same part of the literature and come up  
2 with drastically different opinions on what that  
3 means and apply it to a specific situation.

4           The one thing I learned from Mr. Keller is  
5 I think we have to agree that a market area contains  
6 parcels and it contains sales. And I think we look  
7 at the data provided currently on assessment rolls,  
8 it shows that there are parcels and there are  
9 sales. And there are -- there's --

10           MS. SHEIBENBERGER: Ways to distribute them  
11 to do ratio studies.

12           THE ADMINISTRATOR: There's basic analysis  
13 techniques that are applicable, the ranges,  
14 distributions, the ratings, looking at the simple  
15 tenancy that are used to analyze each set of data.

16           MS. SHEIBENBERGER: I'll sit down. I want  
17 to have time to go through the procedure of  
18 understanding how to implement and divide up what  
19 you're thinking how we should look at our areas for  
20 market areas. I hope we have time to do so today.

21           THE ADMINISTRATOR: I want to caution you.  
22 We're not solve everything here today.

23           What would be really helpful is if some of  
24 the people in the audience or if you have specific  
25 recommendations on how to make this document better

1 so that No. 1, we can achieve the uniformity  
2 responsibility I think we all have; and No. 2, that  
3 it's something that's workable and meaningful that  
4 provides guidance on how to implement it in a  
5 specific county, recognizing in a single document  
6 you are not going to be able to specify boundaries  
7 for every one of the 67 counties. There has to be a  
8 guideline and it has to be followed in coming -- the  
9 results should be a reasonably uniform distribution  
10 of market areas in the counties. So that's our  
11 goal. Any recommendations you have on helping us  
12 achieve that goal, that's why we are here.

13 MS. SHEIBENBERGER: Okay. I will work on  
14 it.

15 THE ADMINISTRATOR: Thanks.

16 Mr. Rahol will now provide all the  
17 answers.

18 MR. RAHOL: More questions. Vincent Rahol.  
19 I didn't catch your name. But that's the quandary I  
20 try to talk about when I first got up here was that  
21 when we are trying to divide these things and  
22 separate them, I understand the problem you're  
23 having.

24 And I think what we need to look at is the  
25 balance between your need to review and property

1 appraisers' responsibility to value the property in  
2 a manner that we don't have to necessarily have to  
3 overburden ourselves in trying to address all these  
4 different potential market areas and may not  
5 necessarily be appropriate how we would divide them.  
6 That's where I'm coming from.

7           I will say this. I really believe the  
8 Department of Revenue's job and our jobs are very  
9 similar. We are all trying to make sure that the  
10 values are the best possible for all the citizens of  
11 the State of Florida. I know the property appraisers  
12 work hard at that. And I know you guys have the  
13 responsibility of making sure of that. And it's not  
14 a perfect system. I appreciate the information I  
15 get back from the Department and it helps me in  
16 making corrections in areas we need to correct and  
17 use as guidance.

18           On the other hand, as the speaker  
19 mentioned, my situation was the same. How am I  
20 going to arrive at these things? And as you talked  
21 about, you know, getting feedback from us for this,  
22 you know, one of the things you need to look at  
23 potentially is saying going back to more traditional  
24 definition of market areas. And you covered some of  
25 that in Section 65, if I am not mistaken.

1           But I believe the emphasis is on the wrong  
2 part. You put the emphasis on the sales, and I  
3 understand why. If you put the emphasis on the  
4 correct amount of sales on this or the minimum  
5 amount of sales, and rather than the actual  
6 delineation by geographic, what you mentioned in  
7 other areas, the geographic stratification, and  
8 being geographic, and looking at the economics as  
9 you indicated here, and the zoning, and other  
10 things. I think that's the way it should start, in  
11 my opinion. You should start by looking at that.  
12 And then maybe there would be tests as to looking at  
13 now as you delineate these areas. Then you need to  
14 take a look at what kind of numbers do you have in  
15 there. Do you have enough sales counts to make it a  
16 good tool for the Department of Revenue to look at  
17 our roll? Do you have enough parcel counts? I'm not  
18 sure parcel counts surely is a bigger criteria. I  
19 think you did probable sales counts. Parcel counts  
20 I think should have more flexibility.

21           I have a couple of examples I'm trying to  
22 bring up. I misread some of this on the back  
23 table. When I looked at the parcel counts in the  
24 first sheet, I thought that was our whole county,  
25 but it was the wrong one. I'm still having trouble

1 figuring out which county I have. I don't know if  
2 you know which one ours is. Yes or no, you know  
3 which one it is?

4 THE ADMINISTRATOR: Since we are on this --

5 MR. RAHOL: You can whisper it in my ear.

6 THE ADMINISTRATOR: I'll go ahead and share  
7 this. I don't know. I don't think anybody here,  
8 perhaps Mr. Beggs has a memory of every county  
9 identified by the number of parcels.

10 By the way, the name of the counties'  
11 workers are not here for a reason, because people  
12 would get caught up in looking at that. This is  
13 objective analysis. And we need help with tailoring  
14 it to specific situations. But we want this to be  
15 objective. I just want to say this. That's a point  
16 of curiosity I've had myself. And in looking at  
17 participants, Mr. Rahol has come to workshops and  
18 participated a lot. And here's what happened. In  
19 Mr. Rahol's county both of the distributions on  
20 tables 2A and 2B indicated 22 market areas. And in  
21 Mr. Rahol's county they have 22 market areas.  
22 That's the only time that worked out. I don't want  
23 to get into -- that's the only thing I remember.

24 MR. RAHOL: I can go home.

25 THE ADMINISTRATOR: You know, out of

1 curiosity, it's not really relevant to anything.  
2 But I thought it was ironic. And since Mr. Rahol  
3 mentioned that, I thought I'd put that out for  
4 everyone's entertainment.

5 I'll just mention that the analysis in  
6 Table 2A is based on parcel counts of the market  
7 area is the driving variable there. And in Table 2B  
8 the driving variable is the sales count per market  
9 area. And in most cases, the distributions worked  
10 out pretty similar. In a certain number of cases  
11 -- I have no idea how many indications are the same  
12 number of market areas -- and some there may be some  
13 variation there, not tremendous variation, but some  
14 and that's caused by variation in relationship  
15 between number of sales and number of parcels within  
16 a particular county relative to where it falls  
17 within the array sorted by parcel count. I thought  
18 it was interesting that Mr. Rahol is way ahead of  
19 the game.

20 MR. RAHOL: We don't have to change  
21 anything, I guess.

22 The thing is, you know, again going back  
23 to looking at, for example, the numbers and the  
24 sales counts. And we have -- and they may be a  
25 fluke. But for example this past year, the sales

1 counts in our Stratum 4 is, you know, somewhere in  
2 the neighborhood of 4,000 qualified sales.

3           Now, you know, all of a sudden, that  
4 probably goes -- if you're looking along the same  
5 lines as in Table 4, the market area jumped from one  
6 number to substantially a different number. I think  
7 I'm on the right one. Seven market areas jumped.  
8 And we are talking 1,166 qualified sales. And now we  
9 go, if you look at say based on 4,000 sales, that  
10 doesn't necessarily change really the market areas  
11 we should have in place. And I think there needs to  
12 be discretion and leeway as to when we talk about  
13 especially maximum and some are minimums, as well,  
14 discretion to saying you can't go over these  
15 numbers. Because in my own mind, when I look at our  
16 county and I start establishing market areas I  
17 thought should be defined, I'm not going to come up  
18 necessarily with some of these numbers.

19           I also ran into a problem in a market  
20 area, for example, in Stratum 1, in particular, can  
21 be very few sales. I'm not sure if it will hit  
22 four. It's a fairly decent-sized area. What  
23 happens then is there's a lot of delineation by  
24 other geographic things such as waterways. And when  
25 you cross those and go into adjacent properties

1 there, now you have gone into a completely different  
2 market. You're talking about a high market value  
3 area to a mid-level market pricewise and all that.  
4 Yes, you can bring those in and get to the sales  
5 counts you need to. They don't go together. And so  
6 to me, that becomes an issue.

7           Now, do we have to force the numbers to go  
8 and hit forty numbers, or whatever it is, to get to  
9 that and add all the other properties that are not  
10 really similar? And I don't think that does justice  
11 to anybody in valuation purposes or in the study of  
12 value. And those are the kinds of things I'm  
13 concerned about. We have a lot of unique things in  
14 our county, especially this year. Maybe they are  
15 flukes, maybe they are not. But there's been a lot  
16 of changes. How do you address that and talk about  
17 later as changing markets, and having to justify  
18 that, and et cetera. And markets do change.

19           Again, my concern is that it's not so  
20 restrictive that you can't go beyond either extreme.  
21 You have that problem already with strata where you  
22 don't have enough sales. Well, you have tools in  
23 place to address that. You have to use examples. No  
24 one likes to do that, obviously. And obviously, this  
25 could compound the issue if you don't have enough

1 sales activity and you're using market areas for  
2 roll approval. And all of a sudden, if you don't  
3 have enough sales, I understand, you have samples.  
4 You have to do that throughout the state. And if  
5 you have 20 market areas and you're breaking that  
6 down by value four times as well, it seems like the  
7 statute says one or the other; if you do that, I  
8 don't know how the Department can decide that and  
9 look at that. If you do that -- I understand you  
10 have guys doing appraisals year round for one  
11 county. I understand you don't have the staffing and  
12 et cetera to do that, you know. But I think there  
13 needs to be to be some balance in what you are  
14 trying to accomplish and what the property  
15 appraisers are trying to do, and not force us to  
16 look at valuing based on roll approval, but valuing  
17 based on what, if you as an appraiser, go out and  
18 you look at your market and determine what area you  
19 pull your comps and stuff like that. That's how we  
20 try to look at things and I look at things. And  
21 this forces us to do other things, as well. That's  
22 my only concern.

23 I think we are all trying to get to the  
24 same end. But I think it needs a little more  
25 flexibility and a little bit more definition. I

1 understand the problem getting there. But I think  
2 there still needs to be some work on this to help us  
3 get there. As the previous speaker indicated, how do  
4 I get there? I'm concerned about that.

5 THE ARBITRATOR: I'll make some comments.  
6 There's a couple of thoughts, then I think we'll  
7 take a little break.

8 I think what I heard you say early on is  
9 you were addressing the issue of how sale counts  
10 vary from year to year and will there be an  
11 expectation, you know, if you start out, the year  
12 you establish market areas if you have X number of  
13 sales, and the next year there's a big change. There  
14 the intent, you know, in our internal meetings in  
15 the Department, we had many meetings and discussed  
16 issues and it resulted in a draft in consideration  
17 of the previous input that's been out there along  
18 with the literature, the law, and et cetera.

19 I haven't heard any expectation on the  
20 part of anyone in the Department that we want this  
21 thing to change year to year. Obviously, there will  
22 be adjustments and that sort of thing. But I don't  
23 think there will be an expectation there has to be a  
24 completely new market analysis every year. I think  
25 that's unreasonable. And so that's something we

1 need to find a way to address within here, the  
2 underlying goal here being uniformity, but also to  
3 make this workable and reasonable.

4           You mentioned Stratum 4 property. And  
5 that's going to vary a lot. Because you're talking  
6 about land sales, lot sales predominantly. If you  
7 take a given year and say, here's where the sales  
8 are and here's the parcels with this use on it, you  
9 develop a system for the next year, and then two or  
10 three years later, all that stuff is built out,  
11 maybe there's no sales, and there's a whole bunch  
12 over here and that kind of stuff; that's an issue  
13 that anyone would want to submit through the public  
14 process or any ideas anyone has here today how to  
15 address that. But that's certainly an area that we  
16 are looking at as far as specifically providing for  
17 documents in those kind of situations.

18           The second point I would like to make in  
19 response to your comments is where we are back to  
20 talking about the property appraisers value  
21 production process versus the quality assurance  
22 process, the quality assurance process being the  
23 department's review of the rolls. And that's  
24 something the property appraisers also do their  
25 rolls testing before they send the rolls in to the

1 Department. The issue of how to produce the roll and  
2 how to look at properties geographically will vary  
3 by the methodology that is used. And those are all  
4 matters of discretion on the part of property  
5 appraisers.

6           If we get into then tying this document  
7 which is aimed at uniformity to that process, then  
8 we are getting into saying uniformity of process,  
9 which we can't do what. So we have to separate this  
10 thing. And in that regard, there is -- you don't  
11 use the same methodologies to test something that  
12 you do to produce it. I think that's something  
13 that's really important for us to understand. You  
14 use valuation approaches and other different  
15 methodologies to produce values. And then you have  
16 this thing at the end, your quality assurance  
17 process which tests the results. So there's two  
18 different things there we're talking about.

19           And this system of proposed market areas  
20 in this draft document is based on geographic  
21 stratification of each of the seven statutory  
22 strata.

23           Now, let's look at the seven statutory  
24 strata. We use those for ratio study purposes, and  
25 the Department uses them, all the counties use them.

1 But yet, let's look at Stratum 6. You don't use the  
2 same base rates for hotels that you do for  
3 warehouses. You don't use the same cap rates for  
4 hotels that you do for warehouses and so forth on  
5 the value production side. But yet you group the  
6 properties together for ratio study analysis, and  
7 that same analogy is directly applicable to the  
8 proposed market area here.

9           And getting into the value production  
10 process is I believe Mr. Keller might tell us  
11 unwieldy legally, me just as a layperson it's  
12 unreasonable, and we would never get uniformity that  
13 way at all if we do that.

14           So that's the basic thought processes  
15 behind looking at this as a quality assurance thing  
16 based on geography.

17           And recognizing that within a Stratum 6  
18 you might have Stratum 6 market areas. But even  
19 with Stratum 6 countywide with no market areas,  
20 you're not going to use the same valuation  
21 methodology as I mentioned for property types use  
22 codes within Stratum 6. Again, you use Stratum 6 to  
23 test the results because you have to have enough  
24 data to be able to run statistics to get an  
25 indication of the mass appraisal results. That's my

1 comments on that.

2 You have anything you want to add?

3 MR. RAHOL: One last thing. When you're  
4 talking about the number of sales changing from year  
5 to year, that's one part. The other part is what's  
6 the base year? The base year, for example this may  
7 be unusual, but it can happen in counties. It's  
8 happening in mid-sized counties. It's happening in  
9 larger counties and in small counties.

10 But if you go from a base year, the  
11 numbers from one year you have 2,000 qualified sales  
12 and another year 4,000, that's an unusual year. You  
13 just said if this year you should have X amount of  
14 market areas, five or whatever it is, if you do it  
15 the next year, rather than the previous year, you  
16 can have double that number. And to me there's  
17 problems there. Because all of a sudden, you're  
18 saying it's okay at this point for me to establish  
19 it. But if you decide to establish it at this  
20 point, it's not a good idea. It's a bad number. So  
21 I think you have to go beyond meeting certain  
22 requirements and looking more of defining the  
23 boundaries and making sure there's adequate data in  
24 there making it reasonable for you to study.

25 THE ADMINISTRATOR: That's an excellent

1 comment. Keep in mind this is a first draft. These  
2 sale data here are based on the 2001 calendar year.  
3 Unfortunately, the department's computer system is  
4 not a regional data base where a user can go in and  
5 search and get what they want. During the time  
6 period this analysis was ongoing, our programming  
7 staff and statistical people were preparing for the  
8 roll valuation season. And sometimes, I understand  
9 this, and people can become pretty unfriendly.

10 We did this first draft based on 2001  
11 sales data. But I was able to look a little bit at  
12 the 2000 data and compare it. And you do see  
13 variations in sale counts within strata from year to  
14 year. So we don't have a good look at the 2002  
15 sales data yet. We'll have that after the  
16 preliminary rolls are in this summer. And I would  
17 like to be able to look at four or five years of  
18 sales data, I would like to look at five years, and  
19 get some idea there. Because with recent low  
20 interest rates and a lot of capital flows in real  
21 property from what I'm hearing from a lot of  
22 counties, the number of sales have just sky  
23 rocketed. It would be sort of setting ourselves up  
24 for undesirable results if we base this analysis on  
25 sales data of maybe one or two years, which sort of

1 leads us back to what Mr. Barber was talking about  
2 sort of basing this on the basis of parcel counts  
3 and let that be the driving thing that's looked at.  
4 Because obviously those are going to be developed  
5 with some consideration of sales. But if we look  
6 more at parcel counts, perhaps that does away with  
7 the problem of having to worry about the number of  
8 sales each year within a market area. That's  
9 something we are looking at as well.

10 Would anyone like to take a break? I  
11 certainly would. We'll take a ten-minute break and  
12 come back and continue.

13 (Recess taken.)

14 THE ARBITRATOR: Shall we begin?

15 MR. LARSEN: Lance Larsen, chief deputy,  
16 Brevard County Property Appraisers Office.

17 Al, I want to go over a couple statements  
18 you made in regard to this stratification process  
19 for market areas. You talked about when there's not  
20 enough data, the process is meaningless. However,  
21 when you wrongly mix the data, the process is  
22 meaningless.

23 We are trying to steer away from this  
24 being a valuation methodology. However, the roll  
25 analysis that's done by the Department, specifically

1 the ADR 17 report is a stratification of roll  
2 valuation processes by market area by value. While  
3 the Department has never previously defect any  
4 property appraisal that I'm aware of for LOAC or  
5 either BRBs in those categories that are below the  
6 standards, if that's the plan of the department,  
7 then this does become a valuation market area.

8 I have a question. If you will go to  
9 Page 5.

10 THE ADMINISTRATOR: I guess for the record,  
11 I should say I agree with what you just said.

12 MR. LARSEN: That's fine.

13 If you will go to Page 5 Section 2.4. And  
14 the middle portion standard rule 62G of USPAP. And  
15 you talk about USPAP in the market areas here.

16 Are we referencing market areas as  
17 stratified or market areas as if doing appraisals  
18 for other subject properties; did you look at that  
19 requirement as adequate in ten days?

20 THE ADMINISTRATOR: You mean in terms of  
21 how it's assessed in USPAP?

22 MR. LARSEN: Yes.

23 THE ADMINISTRATOR: That's included  
24 strictly for informational purposes to let someone  
25 know it's there. There's not a lot of discussion in

1 USPAP. USPAP says you ought to do something, or it  
2 says nothing about what it's for and how it goes  
3 about. That's informational, in case someone is  
4 wondering whether USPAP mentions it. That's what  
5 that's for.

6 MR. LARSEN: Can we go to Page 6  
7 Section 3.4?

8 And I would like to go down to about the  
9 middle of the paragraph to where market area is a  
10 geographic stratification of one of the seven  
11 statutory strata. The delineation of market areas  
12 must not be based only on any non-geographic  
13 stratification of real property. Must not  
14 necessarily be based on, as you previously stated,  
15 with stratified real property by type, geographic  
16 area, and value just for the purposes of study.

17 Section 3.5, Market Area Codes. A market  
18 area code is a two-digit code. A market area code  
19 could be more than two digits. But when submitted  
20 to the Department of Revenue shall be converted to a  
21 two-digit code.

22 THE ADMINISTRATOR: Mr. Keller is our  
23 computer code expert, I should say.

24 MR. LARSEN: Go to Page 8.

25 THE ADMINISTRATOR: I can't count beyond

1 two digits. Page 8?

2 MR. LARSEN: Yes. Mr. Rahol already  
3 brought this up. This is in regard to the statutory  
4 criteria. But to the greatest extent practicable,  
5 the Department shall study assessment roll by value  
6 range groups. For market area significantly noted  
7 in this document in a number of cases where you  
8 indicate that a larger county -- that that study  
9 would be done for both value range and market area.  
10 I believe that's --

11 THE ADMINISTRATOR: I think there was a  
12 reference to it somewhere talking about sale  
13 counts. I think the distributions indicate large  
14 counties, a whole bunch of sales.

15 MR. LARSEN: I believe it's found on  
16 Page 13, by agreeing to perform a statistical  
17 analysis where there's real property where you're  
18 valuing within market areas of strata under  
19 properties at the top of the page, Program 7.

20 Is that a housekeeping issue for your  
21 legislative group to look at from the standpoint the  
22 statute says or process does both?

23 THE ADMINISTRATOR: Yes. I've heard that  
24 discussed. That sounds like a good idea, subject to  
25 Mr. Keller's approval, of course.

1           MR. LARSEN: I would like to go to Page 9  
2 Section 5.4. And this goes back to all your draft  
3 sheets in regard to the number of sales and/or  
4 parcels by county for the purposes of establishing  
5 what should be baseline market areas. New  
6 construction sales obviously skew the results.

7           Did you remove them before you made any  
8 calculations?

9           THE ADMINISTRATOR: Yes. There's some  
10 filters. The way it works -- don't hold me to this,  
11 because I'm not an expert on that -- but I think  
12 Charlie explained that the way the program that  
13 generates the sale counts we see here, it takes the  
14 property appraisers' reports as qualified sales and  
15 then it does filter to remove any anomalies or  
16 errors, that kind of stuff. And I think when you  
17 get to representativeness, it excludes sales where  
18 the year of construction is the same as the year of  
19 sale. This is my understanding.

20           MR. LARSEN: That was just a question.

21           THE ADMINISTRATOR: Right.

22           MR. LARSEN: The rest of these are issues  
23 related to the mathematical analysis versus -- it's  
24 really a mathematical analysis as opposed to a  
25 statistical analysis.

1           THE ADMINISTRATOR: It requires a smart  
2 person to do statistical analysis. And those are  
3 back in Tallahassee, other than Mr. Beggs.

4           MR. LARSEN: Okay. That's all I have.  
5 Thank you very much.

6           THE ADMINISTRATOR: Our next speaker  
7 approaches.

8           MR. BECK: Good morning. My name is Stan  
9 Beck. I represent taxpayers primarily in South  
10 Florida.

11           Even though I don't work for a property  
12 appraisers office, I have some interest in what  
13 occurs in this fascinating field of valuation and  
14 assessment. I would like to compliment the staff on  
15 this first draft. I think it's well written. But I  
16 have some concerns with the direction. And some of  
17 the concerns have already been addressed by  
18 Mr. Rahol and Mr. Larsen in far more sophisticated  
19 terms than I can speak because I'm not a technical  
20 person.

21           But my approach to this is that the market  
22 areas were required because we were dealing with  
23 such large strata. And it was an attempt to have  
24 substrata so that we could have a better look at how  
25 the rolls were performing. But just to have

1 substrata based upon population size or volume size  
2 of sales is not necessarily going to solve any of  
3 the problems that are attempted to be addressed.

4 I believe that what we need is meaningful  
5 substrata. And to have that, I believe that the  
6 substrata should correlate to comparable sales  
7 search areas. Now, you address that in  
8 Paragraph 3.4 on Page 6.

9 And of course, the way this draft address  
10 is it, it says that the market areas are not  
11 synonymous with comparable search areas. I believe  
12 that's the wrong direction. I believe that in order  
13 to have a more meaningful utilization of this entire  
14 concept, it should be on a format that follows  
15 search areas.

16 Just by example, if you have a market area  
17 that includes hotels, and a county where all the  
18 hotels were built in the fifties and sixties and  
19 then all of a sudden a 60-story Ritz Carlton is  
20 built, the Ritz Carlton should not be included in  
21 the substrata with all the older hotels. It  
22 diminishes the analysis of the older hotels by  
23 including the Ritz Carlton. And using older hotels  
24 to value this new one means the new one won't be  
25 done correctly either.

1           I use that extreme example, because I  
2 believe that you can have a market area that would  
3 include only one property. And I believe that the  
4 utilization of market areas effectively is to take  
5 out properties that are so unique and dissimilar  
6 that they don't belong in a sample because they are  
7 not representative. And this is the opportunity to  
8 take out the non-representative parcel that  
9 undermines the utilization, the usefulness of the  
10 sample. And I just use that as an example.

11           The next thing is there's been several  
12 comments about uniformity, references to statutes,  
13 rules, et cetera.

14           And I believe that the opportunity to  
15 achieve uniformity here is being lost by the  
16 approach.

17           Now, if you want uniformity, and I believe  
18 that you actually are mandated to achieve it in this  
19 exercise, I believe that the DOR should be providing  
20 a basic list which describes typical market areas  
21 for each strata. And just an example of that would  
22 be that if you have a market area with a two-digit  
23 code that describes high-rise office buildings in a  
24 central business district, the DOR should be able to  
25 use that to view the manner in which these buildings

1 are assessed from county to county to county.  
2 Similarly, if you have a code that identifies luxury  
3 hotels, you would be able to use that code from  
4 county to county to analyze the manner in which  
5 those similar properties are being assessed  
6 statewide. And to achieve uniformity, which you  
7 have not done anything, you have not even taken a  
8 little baby step to get to uniformity as far as I'm  
9 concerned; I realize it's a first draft. And I don't  
10 want to be making this comment on the third draft.  
11 I don't think it's fair to the staff. I happen to  
12 feel pretty strongly this is an opportunity missed  
13 right now that the DOR has to work with property  
14 appraisers and develop some uniform codes which the  
15 property appraisers will apply to their geographic  
16 areas and uses, and then you will have a system of  
17 uniformity throughout the state.

18           If you were going to have 67 different  
19 sets of codes, you have totally passed on this  
20 opportunity for uniformity.

21           There was a concept at an earlier meeting  
22 -- which I'm used to people doing that to me, I  
23 come from a friend unfriendly neighborhood.

24           In any event, here's the thought I wanted  
25 to grasp. We are talking primarily about geographic

1 areas. And at a previous workshop we talked about  
2 uses.

3 Now, I believe that when or if you work up  
4 these uniform market areas, it's very important to  
5 address uses. Because within a geographic area, just  
6 like you were mentioning grouping warehouses with  
7 hotels, doesn't make an awful lot of sense. Even I  
8 know that, and I'm not too sophisticated in this  
9 area.

10 But I believe it's essential to have  
11 different uses within the geographic areas so that  
12 these substrata are meaningful.

13 Now, I know it's a challenge. But let's  
14 tackle that challenge at the front end of this,  
15 rather than have this thing go on to a third or  
16 fourth draft. And someone wakes up and says, you  
17 know what, these substrata are just as meaningless  
18 as the big ones because they are not representative.

19 Now, we are not going to achieve anything  
20 in this exercise unless we go from the giant  
21 substrata to meaningful substrata. If you don't do  
22 that, pack it in, pass it, everyone will walk home  
23 and be happy. But we didn't accomplish a thing.  
24 You didn't accomplish uniformity. No one knows  
25 anything they didn't know earlier.

1           If you don't focus on the distinctions of  
2 geographic areas and have meaningful uniform codes,  
3 then we'll start to have substrata that will tell us  
4 a lot about the levels of value in each of these  
5 groups.

6           And I just want to leave you with an  
7 additional thought, that I have no answer for, but  
8 it concerns me. I believe we have to address  
9 properties that are unique in that the use is not  
10 the highest and best use. Because those properties  
11 shouldn't be valued, even though they might have the  
12 same use as another property within the strata. If  
13 the property appraiser feels strongly that the  
14 improvement is not the highest and best use, then I  
15 believe they ought to have the latitude to put that  
16 in a difference type of market area. You call them  
17 market area. I call them substrata. Because when  
18 those properties sell, they are not going to be  
19 representative of values for properties that are  
20 improved to their highest and best use. So I think  
21 there are a lot of challenges here. And I hope that  
22 you'll pursue some of those. Thank you very much.

23           THE ADMINISTRATOR: Let me ask you a couple  
24 of questions to make sure we understand your  
25 comments.

1           It seems that you might be talking about  
2 use code issues here, maybe more than --

3           MR. BECK: Some use code issues.

4           THE ARBITRATOR: -- geographic study.

5           MR. BECK: But I think geographic is  
6 clearly part of it. But I don't think it stops  
7 there.

8           THE ADMINISTRATOR: Mr. Keller, our legal  
9 expert, maybe he can add to this. It seems we are  
10 sort of limited on our section on strata.

11          MR. BECK: Let me offer another thought.

12          You're talking about 99 classification  
13 -- 99 codes. That's a lot of codes. It really is.  
14 And it's probably possible to have 99 codes within  
15 each municipality. Now, I'm not urging that. But  
16 there are -- the way the data is set up, it seems to  
17 me like there should be no problem with that. And  
18 because you have property characteristics which  
19 change from municipality to municipality within a  
20 county, and I think that gives almost an unlimited  
21 variety of applications, if you combine it that  
22 way.

23          But even the 99 is really a large number  
24 of different areas, which again, I think this whole  
25 thing is kind of a misnomer. We are calling it

1 market area. But it's not only about market area.  
2 Because if you do market area and you ignore the  
3 uses, then you have to have large samples or large  
4 populations because they are so diverse. And I  
5 believe that you have not achieved anything  
6 meaningful until you have this to a point, where you  
7 have properties that have similar characteristics  
8 geographically as well as use, which would be your  
9 comparable search.

10 Thank you.

11 MR. KELLER: Would you keep the existing  
12 criteria of guidelines as to the numerosity of  
13 sales?

14 MR. BECK: I think it's irrelevant.

15 My example about the hotel, my thinking is  
16 that if you have a unique property that shouldn't be  
17 included because of its distinguishing  
18 characteristics, it should be in a class all by  
19 itself. Because it's going to throw off the rest of  
20 the class. And I don't think that there's any  
21 justification for putting properties that have  
22 differing characteristics together. And then what  
23 you need to do, once you put properties that are  
24 different together, now you have to have large  
25 populations in order for the statistics to get

1 averaged out so that they appear to be correct.

2           And I promise not to do the hot water and  
3 the bucket-of-ice thing again. I now leave that to  
4 Al, because that's all I know about statistics, you  
5 know, that story. But that's what you end up doing  
6 really.

7           The more difficult verse the substrata is  
8 the bigger it has to be. But then the more  
9 meaningless it is. Thank you.

10           THE ADMINISTRATOR: Thank you.

11           I'll just offer a comment about the market  
12 area being defined as the same as comparable search  
13 area. This is not intended -- this document here is  
14 not to get into a comparable search area. A  
15 comparable search area is an appraisal issue, value  
16 production issue. And that's not what we are  
17 talking about here.

18           And once again, we are trying to narrow  
19 this thing down so we can have something workable  
20 and have a tool that's useful for all of us in this  
21 business to demonstrate to everybody that using  
22 available techniques, within the existing legal  
23 structure, we have uniformity here. We can show it  
24 and approve it.

25           I think getting into issues of what is a

1 comparable search area in the context of the market  
2 area, I'll go back to the example again. We have  
3 ten different experts in the county, and they can  
4 say that the market areas are based on the existing  
5 body of knowledge and all these broad generalities  
6 we find in the literature. And you're going to get  
7 everything but uniform results. The same thing with  
8 a comparable search area. The same things are  
9 debated all the time. I don't see how you can even  
10 address that within a guideline.

11               So obviously, there was a specific  
12 reference in here to not making that synonymous with  
13 market areas. We recognize that as an issue in the  
14 appraisal process. But we are not developing a  
15 document here that is going cover everything in the  
16 appraisal process. We narrow the scope of this so  
17 we can be consistent with the statutes and  
18 consistent with the professional literature on the  
19 subject and get this thing done. So I just offer  
20 that.

21               I guess I need to explain what Mr. Beck  
22 was talking about with the hot water and ice. At a  
23 previous workshop, Mr. Beck used some example of a  
24 person who has one foot in a pot of boiling water  
25 and another foot in a bucket of ice. But on

1 average, they feel fine. That's a way of explaining  
2 the need for market areas and stratification. And I  
3 found that humorous. But to me, we don't really know  
4 how to apply that. Because when I think of a pot of  
5 boiling water, I think of a lobster. I think of  
6 buying something, champagne. We are not really -- I  
7 wanted to get that into the guidelines.

8 Mr. Keller has nothing.

9 Anyone have comments they would like to  
10 say?

11 MR. COLEMAN: I'll be short. My name is  
12 William Coleman. I also represent the taxpayers and  
13 the Florida Association of Property Tax  
14 Professionals. And I'm also a member of the Property  
15 Tax Administration Task Force.

16 It seems to me, and I'm listening to the  
17 appraisers here, there might be a nomenclature  
18 problem. We are talking about -- I think we are  
19 talking about the difference between a statistical  
20 sales area versus a market area.

21 I don't know what you are going to  
22 accomplish if the whole criteria for this equity in  
23 the sales area is based on the number of the sales.  
24 These guys all work in areas. They know where the  
25 markets are. And market is defined by buyers and

1 sellers within a geographic area. And it could be  
2 bordered by water or other areas of delineation.

3           From a taxpayer's review standpoint, and  
4 they are out there in the marketplace, they are more  
5 concerned about competition as defined in a certain  
6 market area. I'll use Tim Wilmatt's county as an  
7 example.

8           Tim's office market, they have defined  
9 market areas when they're doing their assessments  
10 over there. The difference between the west shore  
11 area as defined as a market versus a central  
12 business district or even out on the east side of  
13 the county. When these guys are doing their work  
14 and setting up their models, they really know what  
15 those market areas are. So if you're going to do a  
16 scattering of sales that would encumber the whole  
17 thing -- Wayne talked about this -- when you get to  
18 the middle, it's just like Beck says, standing in  
19 the bucket of water in the boiling, whatever it was,  
20 what was that, ice and whatever.

21           I guess what I'm saying it's kind of like  
22 garbage in and garbage out. I think that you should  
23 give these guys some leeway when you are setting  
24 these markets up. That the information that comes  
25 out is going to make sense to them and make sense to

1 you. When you review a sampling of sales, that's a  
2 true market area, and not a statistical sales area,  
3 if that makes any sense.

4           So I guess my question would be, how do  
5 you get a meaningful stratum if you're doing an  
6 empty criteria and the number of criteria is based  
7 on the total number?

8           And second, since the stratum is like  
9 Stratum 6, which is a multilevel type stratum, where  
10 you have a mixture of industrial and other  
11 commercial property and that's done by the number of  
12 sales, what do you get out of that? What do you look  
13 for?

14           So it seems to me, I think you ought to go  
15 back to the assessor level. Let these guys figure  
16 out what the markets are, and maybe they can help  
17 you guys define in each individual county what a  
18 real market area is. Or let's change the name.  
19 Let's call it a statistical sales area. I think  
20 that's what you are trying to do. You're trying to  
21 get into a more center of the road or meaningful  
22 statistical thing for your guy's measurements, if  
23 that made any sense.

24           THE ADMINISTRATOR: Sure.

25           What Mr. Coleman is saying is consistent

1 with what we were saying earlier.

2           If a particular county finds market area  
3 to be useful in their value production process and  
4 they need to use that, then there is certainly  
5 discretion to divide their county however they want  
6 to.

7           But the problem with getting into that  
8 within a document like this is it's one document for  
9 67 counties.

10           And getting down to that level of detail  
11 and getting into the appraisal business within the  
12 county is that No. 1, I have heard Mr. Coleman and  
13 one other person mention a true market area. Well,  
14 I want to see it. It's not in the literature. It's  
15 not here right now. We look and see what's out there  
16 right now. And a huge county with a very small  
17 number of market areas, they might say these are  
18 true market areas. You might have five other  
19 experts go over there and say, there's no way. And  
20 you might come down here with a county that's one  
21 percent of the size of the big county and say, this  
22 is a true system of market areas. Well, obviously  
23 they can't be, because true suggests there's some  
24 criteria for narrowing it down to a conclusion of  
25 something that's true. And when you have the kind

1 of variation that we see, and it's not just in the  
2 counties we see on the rolls now, it's the variation  
3 that we have in our opinions. Some people out there  
4 say, okay, what's a market area? You will never get  
5 consensus. It's not something we can do. Plus it's  
6 getting into the appraisal process which is at the  
7 discretion of the property appraisers. The  
8 Department wants to stay out of that and say this is  
9 a geographic unit.

10 Which by the way, the primary intended use  
11 of this exercise is to create geographic units for a  
12 statistical roll valuation. But I will also say  
13 that those are very useful to the property  
14 appraisers as far as evaluating the quality of their  
15 own roll.

16 Go back and use the analysis of grouping  
17 of properties by statutory strata. You will not use  
18 the same sales. You will not go get condo sales to  
19 appraise a single-family home in a subdivision.  
20 Yet, those are grouped together within Stratum 1.

21 So when you look at the appraisal process  
22 and the mass appraisal process, and you look at the  
23 mass quality assurance process, you will be using  
24 many different tools and different groupings for a  
25 different purpose for your analysis.

1           And Mr. Keller, I just remembered  
2 something. I think going back to our statutory  
3 strata, which is what we have to go by, we are given  
4 specific direction here for what we do; I believe  
5 that at some point years ago, perhaps industrial  
6 property was in a different strata. And at some  
7 point, Lance may know, at some point a decision was  
8 made by the legislature with committee consultants  
9 or something. There was a decision was made to group  
10 those together. And all of this is consistent with  
11 the ratios that the literature that we see out there  
12 talks about. Stratification is a desirable goal. You  
13 can narrow things down more. It has a very limited  
14 value, because you get down to a unit so small you  
15 don't have enough data to work with either for  
16 appraisal purposes or for quality assurance.

17           I certainly recognize pretty much what  
18 people are saying about it. And we have to be able  
19 to narrow this thing down to get to a point where  
20 you find a way to get this project done within the  
21 statutory framework you have.

22           Do you have anything to add, Mr. Keller?

23           MR. KELLER: No.

24           MR. BECK: Very brief. Stan Beck again.

25           I believe that the counties have systems

1 of land use codes, whether it's a state land use  
2 code or a county land use code that's probably in  
3 place and more meaningful than what you will achieve  
4 if you go to a geographic classification with  
5 diverse property uses. It's already there.

6           And you're looking at strata that could be  
7 divided into the existing uses and analyze it in  
8 that manner. And you get a lot better information  
9 than when you take -- what you are doing is you're  
10 taking a basket of diverse fruits, you know,  
11 oranges, apples. But by coincidence, it's  
12 geographically over here. So we will call that a  
13 group. That's ridiculous. You want to take all the  
14 oranges, and take all the apples, and take all the  
15 bananas and put them in different groups, which has  
16 more relevance as a group than putting the diverse  
17 assets together simply because of the geography.  
18 And I say that because I think you overstate the  
19 challenge here. A lot of the information already  
20 exists in terms of uses.

21           THE ADMINISTRATOR: Thank you.

22           MR. MUDGE: My name is Tom Mudge. I'm from  
23 the Polk County Property Appraisers Office.

24           My first recommendation for market areas  
25 is confused. I think what the DOR is trying to do is

1 they are trying to group like properties areas into  
2 a market area for valuation. That's for the  
3 property appraiser to do on an individual basis with  
4 using neighborhoods. You put like properties  
5 together in neighborhoods for valuation. The market  
6 areas are just designed to put in a geographical  
7 area all the homes in that area, whether it's  
8 assessed at 40,000 or 200,000 to make sure that the  
9 property appraiser is doing his or her job to make  
10 sure we're 85 to 90 percent within market. That was  
11 my brief -- my only suggestion would be that market  
12 area would be the name changed to ratio study area,  
13 not to confuse that "market area" is truly a review  
14 of exactly similar type of property in a similar  
15 geographical area.

16 My real question is or my question is in  
17 2005, when the property appraiser submits his or her  
18 tax roll, is the quartile in each stratum going to  
19 go away, and the market areas per each stratum are  
20 going to be used to evaluate the tax rolls?

21 THE ADMINISTRATOR: When you say quartiles,  
22 you're talking about the value ranges?

23 MR. MUDGE: Yes. Four quartiles in each  
24 stratum right now, are they going to go away?

25 And if I have 30 market areas per

1 Stratum 1, how will that be used to evaluate the tax  
2 roll in all the market areas within each stratum?

3 THE ADMINISTRATOR: I'm not the final  
4 authority on that. Mr. Keller can correct me if I  
5 say something wrong.

6 I will offer something on that. It's my  
7 understanding that using market areas in the roll  
8 valuation process based on these guidelines will be  
9 an additional tool. It's not intended to result in  
10 not using value ranges but, in addition, as a way of  
11 looking at the rolls.

12 My understanding is that the Department,  
13 as Lance mentioned earlier, there's a program that  
14 it currently looks at levels of assessment by market  
15 areas based on geographically stratifying the seven  
16 sets of strata using the codes reported on the  
17 assessment rolls. It's not a lack of uniformity.  
18 There's not a lot of -- I don't think it's used  
19 directly in the roll of approval process. That  
20 might be we are heading to at the end until the  
21 issues are resolved.

22 The process has been out there. It's part  
23 of the professional literature and the way the  
24 statute provides for, subject to improving the  
25 grammar of it. It's consistent with the

1 professional literature. This sort of would -- we  
2 can have uniform market area codes based on the  
3 guidelines that would sort of round out the picture  
4 of what the Department of Revenue can do as an  
5 oversight agency with the balance of the law and the  
6 professional literature to measure and demonstrate  
7 uniformity in assessment rolls.

8 Do you have anything to add, Mr. Keller?

9 MR. KELLER: Yes. I think what Al just  
10 said is true.

11 Market areas have been used out there for  
12 many years already in the analysis process together  
13 with the value ranges in place of the existing value  
14 appraisals, but rather they would both be studied  
15 together.

16 There's been some discussion in the  
17 Department of addressing the market areas by way of  
18 defect under process. And what we have done over  
19 the last few years, I think is taken a step back  
20 from looking solely at statistics in the defect  
21 process and using statistics together with other  
22 data of what we call systemic problems, systemic  
23 appraisal issues, or what not that appear to be  
24 systemic of the entire stratum or the entire roll.  
25 So the defect process has been utilized where

1 systemic problems appear to be present.

2           The market areas would simply be another  
3 indicator of that. It would not be, as I understand  
4 it, the sole basis for the issuance of a defect.

5           THE ADMINISTRATOR: Any additional  
6 comments?

7           MR. RAHOL: Vincent Rahol.

8           I guess in listening to the additional  
9 comments that have come from the different parties  
10 here, in going back and looking at the guidelines a  
11 little bit more, I kind of want to reemphasize just  
12 the ability to give a little bit of discretion to  
13 the property appraisers in arriving at the  
14 boundaries in the market areas.

15           But I also want to indicate and state that  
16 I'm opposed to the concept that's being proposed by  
17 Mr. Beck. I don't think that's what the intent of  
18 the statute is as to what I feel is looking at  
19 almost individualizing appraising.

20           And everyone has, I think they are looking  
21 at it from a different side. The taxpayers are  
22 looking at it from one side, the property appraiser  
23 is looking at it from another side, and the DOR is  
24 looking at it from another side. And in trying to go  
25 back and see what the intent of this thing is and

1 seeing that the roll is done correctly by the  
2 property appraisers, and that there's conformity and  
3 equity. And in looking at being a part of or other  
4 best practice, I think any type of meetings that  
5 have occurred in the past, one of the things I took  
6 back from the other states is that they were looking  
7 a lot more at procedural type issues than really  
8 getting into this kind of in-depth analysis by the  
9 Department. Because they felt if the property  
10 appraiser was doing proper procedures, the value  
11 should fall, and this kind of raises things, and  
12 currently you would identify any problems, as you  
13 indicated. Then, you look at them further.

14 I appreciate the DOR's view and how they  
15 are changing that and actually recognizing that any  
16 one of these statistical measures that come up  
17 doesn't necessarily mean your roll has been bad.  
18 But it's something to look at. And then to see  
19 what's the justification, what's the reason, and are  
20 there other issues.

21 And I feel the DOR is really doing the  
22 right thing in taking that approach. Because there  
23 are so many other variables. And in listening to  
24 the experts, because we are not experts on  
25 statistics, and I've listened to the experts. And

1 they will you that you can't rely strictly on any of  
2 these. But that in totality, I can tell you there  
3 may or may not be an issue.

4 But in any case, I think that if we try to  
5 break these things down into such a microanalysis,  
6 then I think really it's more meaningless than it  
7 becomes meaningful. And you might as well have  
8 individual appraisals for each property in the  
9 state. And I think that statistical measures that  
10 the state looks at and uses now, and especially  
11 expanding the way they have been and looking at  
12 variable type of ratios and other things, that  
13 actually they do a good job in checking with the  
14 property appraisers. I would hate to see them start  
15 analyzing individual properties. It would make  
16 property appraisers' jobs impossible.

17 There's people use triple notices where  
18 the assessors are giving the property owners, they  
19 have the opportunity to come into the property  
20 appraiser's office, if there's inequities or  
21 problems with assessments, those are addressed. And  
22 then the property appraisers do not take action to  
23 the taxpayer's satisfaction obviously. They have  
24 the adjustment board process.

25 We don't need to look at the Department's

1 role to make sure that every single property,  
2 because we are an imperfect system as it exists out  
3 in the marketplace anyway, it's impossible for the  
4 Department of Revenue to try to microanalyze every  
5 single sale on every single property that exists.

6 THE ADMINISTRATOR: Thank you.

7 MR. GORHAM: Joe Gorham.

8 I would like to reiterate what a lot of  
9 people have said. I would like to say I think the  
10 Department of Revenue and property appraisers are on  
11 the same side trying to produce the best tax roll we  
12 can.

13 And what we're dealing with here going  
14 back to the bottom three-quarters of 3.4: The  
15 delineation of market areas must not be based on any  
16 non-geographical stratification of real property.  
17 And I agree with that. I think what happens when  
18 you do have a geographical delineation of market  
19 area, you are going to end up with some that do not  
20 provide the sales necessary for reliable statistical  
21 testing. And that's the problem you're trying to  
22 address with inserting a number of sales into the  
23 selection of how you do your market area. But I  
24 think that's something we'll both have to live with  
25 and accept that there are some areas that are just

1 not going to work out. Let's stick with the  
2 geographical delineation of the market area.

3 THE ADMINISTRATOR: I would comment on that  
4 by saying go back to the discussion of what is a  
5 geographic unit or market area, where is the  
6 boundary.

7 If we have a situation where there's no  
8 way in the world that you're going to get equally  
9 knowledgeable competent people to agree on what's a  
10 market area, short of having some type of  
11 quantitative specificity or quantitative boundaries,  
12 then that's not going to happen. That consensus is  
13 not going to happen. And to try to get conformity  
14 without some kind of quantitative boundaries is not  
15 going to happen. I don't think people will argue  
16 that.

17 But going back to a couple of things,  
18 No. 1, which I learned from Mr. Keller, that we all  
19 agree it has parcels in it and it has sales in it.  
20 And with Mr. Keller's advanced education, he was  
21 able to provide me with that information. I'm  
22 greatly appreciative. I had to work very closely  
23 with him so I could be guided appropriately.

24 Going back to the issue of the value  
25 production process, how you might perceive a true

1 market area, whatever that is, the valuation market  
2 process or as the gentleman from Polk County said, I  
3 believe, most county appraisers take the seven  
4 stratoms and break them down into smaller units as  
5 they see fit for valuation assessing purposes. When  
6 it comes time to check the roll, you are looking at  
7 the seven statutory strata. Because that's what we  
8 live by. That's what the Department lives by. And  
9 the property appraisers want to accurately value  
10 property, it will be with that same type of analysis  
11 to check the quality of the roll. But they most  
12 likely will not have used the same kind of  
13 stratification system in producing their values.

14           So I want to emphasize again that, yes,  
15 there's some -- we see some numbers here that we  
16 have not seen before. And based on the comments  
17 here, we think it's time to sort of try to move  
18 forward with some minimum and maximum parcel counts  
19 and that enables and gives a property appraiser the  
20 discretion we are talking about to make these things  
21 fit within the confines of their own county. But  
22 not say, my boundaries are so different, your stuff  
23 shows my county ought to have 40 boundaries, but  
24 because my boundaries in my county there's only 13  
25 market areas, and I can't do anything different.

1 That's not reasonable. Because probably somebody  
2 going in to model that county is going to have  
3 something different than that.

4           So this -- Mr. Rahol mentioned our joint  
5 goal here is uniformity, that is property appraisers  
6 do that in big counties within each of their  
7 statutory strata. It's the Department's role to  
8 look at that and measure that by feedback. This is  
9 a mechanism, a uniform system of market areas, is a  
10 way for us to demonstrate uniformity, okay, based on  
11 location using the mass appraisal quality assurance  
12 process. That's really what we are talking about  
13 here.

14           We have a goal. But how do we demonstrate  
15 that we have done everything we can within the  
16 statutory provisions, within the provisions of the  
17 professional literature on the subject, and within  
18 the specific situations we find in the counties to  
19 demonstrate that we have done everything we can for  
20 uniformity.

21           Anything to add, Mr. Keller?

22           Does anyone have additional comments?

23           Is everyone ready to go eat lunch?

24           Calling one last time, additional comments.

25           On behalf of the Florida Department of

1 Revenue, I want to thank each of you for making the  
2 time to be here and making your comments and  
3 concerns known. It's invaluable to this Department  
4 to have this kind of participation from the  
5 parties. So working together, we can produce,  
6 consistent with Florida requirements, the Florida  
7 Uniform Market Area Guidelines for adoption by the  
8 end of this year. We'll do our best to address  
9 within the current statutory and administrative  
10 provisions the comments and concerns that have been  
11 presented here today.

12 Thank you for coming here today. We  
13 appreciate your time and comments. And this  
14 concludes this workshop. Thank you.

15 (Proceedings concluded at 12:20 p.m.)

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## C E R T I F I C A T E

STATE OF FLORIDA )

COUNTY OF ORANGE )

I, Carol Ann Serritelli, Stenographic  
Court Reporter, certify that I was authorized to and  
did stenographically report the foregoing  
proceedings and that the transcript is a true and  
complete record of my stenographic notes.

DATED this 26th day of June, 2003.

Carol Ann Serritelli

Certified Shorthand Reporter